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C O N F I D E N T I A L SECTION 01 OF 04 KYIV 000453

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SUBJECT: UKRAINE: YANUKOVYCH PUSHING FOR NEW COALITION,
SOME SEE BALOHA HELPING

Classified By: Ambassador for reasons 1.4(b,d).

11. (C) Summary. During a February 25 meeting, Party of Regions leader Yanukovych reiterated to the Ambassador all his old points about Ukraine's relations with NATO not requiring a MAP at this juncture, then proceeded to lay out three scenarios for the Rada, all of which would change the current configuration in some way. As Yanukovych saw it, the impasse could be ended by: the reformation of the coalition, a year of Rada work with no coalition and pre-term elections held at the end of the year, or pre-term elections now. Yanukovych said that he wanted to maintain his good image in the West, but his justifications of Regions's unhelpful statements on NATO and Kosovo and its continued blockading of the Rada did not indicate that he saw a connection. Meanwhile, faction leaders in the Rada have put together a draft agreement to end the stalemate, which lays out key legislative priorities such as WTO accession -- but the whole approach is still contingent on a further agreement on how to address the MAP letter. Two MPs at the Rada (from Lytvyn Bloc and OU-PSD) both described to us a Rada heading towards some sort of unofficial "situational majority," with much of OU voting with Regions and Lytvyn Bloc. Both insisted that all of the machinations were fueled by Yushchenko's calculations about the best way to get reelected; any other issues, such as NATO, were simply a pretext. From the Presidential Secretariat, Chief of Staff Baloha defended his exit from Our Ukraine, called the current coalition ineffectual, and reiterated he supported a broad variant. His deputy, Oksana Slusarenko, told the press that they believed BYuT was helping prolong the blockade because they were benefiting from the stand-off. The Rada is scheduled to meet next on March 4.

12. (C) Comment. Yanukovych's explanations were a rehash of the same old story and showed no signs that he is looking for any compromise short of a scenario that gets him out of the opposition and back into power. Regions's tactics seem to be to stall long enough for the coalition to implode. The decision by Presidential Secretariat Head Baloha to leave People's Union Our Ukraine and form his own political movement, followed by six other PUOU defectors, has spurred much discussion that some new tactical alliance in the Rada is imminent. Moreover, the criticism from the Secretariat continuously lobbed at the Cabinet is resulting in visible strains within the coalition. End summary and comment.

Yanukovych: Statesman or Russian Puppet?

13. (C) The Ambassador started the meeting by reminding Yanukovych that when he had traveled to the U.S. in December 2006, the Ambassador had argued that Yanukovych was a changed politician worth taking seriously. Now questions were arising once again as US policymakers watched the blockading

in the Rada and read statements from Party of Regions on NATO and Kosovo that sounded very much like the statements being issued from Moscow. (Note. Yanukovych had a grin through most of the first five minutes, including through the part about his image being up for debate, but it disappeared when the Ambassador compared his positions to those of the Kremlin. End note.)

14. (C) Yanukovych started by thanking the Ambassador for the opportunity to change people's opinions. He said that the blockade in the Rada had been provoked by the government when it decided to send the letter to the NATO Secretary General requested a NATO MAP at Bucharest, signed by the President, Prime Minister and Speaker. Regions had made its proposals on how to correct the situation -- the issue should be discussed in the Rada and at a CabMin meeting. "Why was the process so nontransparent?" he asked. "What are they afraid or ashamed of?"

15. (C) In terms of Regions's position on NATO, Yanukovych said it had never changed -- the party supported close cooperation with NATO, as Yanukovych himself said in Brussels in September 2006, but accession was a different issue. His government had expanded cooperation with NATO and moved the public dialogue forward calmly, improving public opinion of the alliance -- this was all a credit to Regions and to his government. In contrast, when the orange team came to power in 2005, they had talked about NATO and EU membership as if it would happen tomorrow. At that point, the lack of real progress was a disappointment and public opinion had turned negative. "People," Yanukovych argued, "don't want pretty words; they want action and good living standards." Yanukovych said that there was no need to make a hasty decision on MAP and no reason not to continue the Annual Target Plans within the existing Intensified Dialogue.

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However, the new orange government had re-sparked the conflict and worsened the situation. The final results of this hasty action would be seen within different political processes -- within the Rada, within society, and reflected by the results of upcoming elections.

16. (C) Yanukovych argued that political parties take advantage of public sentiment -- but it was not fair to compare Regions with Russia. That said, one had to reckon with Russia when making policy -- Ukraine is too economically vulnerable to not do so. That was why the 2003 law on the fundamentals of national security contains a provision that says any Ukrainian action towards integration into EuroAtlantic structures must be made with consideration of the strategic partnership with Russia. That's the law. Ukraine doesn't benefit, Yanukovych argued, when the government is provocative. He concluded by saying he did not think the USG wants to see a conflict between Ukraine and Russia.

There Will be Change in the Rada or no Rada At All

17. (C) Turning to domestic politics, Yanukovych said that neither the Rada nor the coalition is capable of working. There was not a real majority; this was just an attempt to look important. He promised that Regions would ensure that the Rada worked within the rules of procedure and the constitution, meaning there will be no double voting (when one MP votes on behalf of others.) Therefore, he concluded, the coalition won't be able to adopt a single decision without support from the opposition. The authorities need to respect and consult with the opposition. According to Yanukovych, "If the government acts like we don't exist, there is no other option than pre-term elections." (Comment. In our view, the Tymoshenko government actually has made an effort to reach out to Regions within the Rada, but without much success. End note.)

18. (C) Yanukovych said there were three ways forward. The first would be to reformat the coalition, although he did not specify how. The second option would be to let the Rada work for a year without a coalition, until the President can call new elections. (Note. The constitution states that the Rada cannot be dissolved within one year of holding pre-term elections, so in our view, not before October 1, 2008. End note.) Or thirdly, pre-term elections could be held with the agreement of all political forces. He added that he could not rule out the first scenario, noting that their view of the situation had changed a little. Before, Regions had insisted on a broad coalition, today "we're waiting to be asked to join a coalition". He said that if such a proposal was serious, his party would consider it. If not, Regions was not afraid of new elections. Regions would not make the same mistakes as in 2007, Yanukovych said, and their ratings would go up.

19. (C) The Ambassador reminded Yanukovych that it was possible to find agreement in this Rada to pass WTO and other laws that are good for the country, as the Rada did on February 12. Yanukovych replied that unfortunately, dreams often don't come true. Regions would keep looking for solutions, but when all options are exhausted, then they would consider pre-term elections. Regions was aware of its responsibility to the country, but many things right now do not depend on them.

Yanukovych on Kosovo

10. (C) Yanukovych also addressed Regions's position on Kosovo. (Note. Which echoes the Russian view that Kosovar independence sets up a dangerous precedent for instability in Eastern Europe. End note.) Our statement, he said, was written without any "external" consultations. It was a decision made by the Regions Political Council, which reflects the party's view. He pointed out that the MFA has not expressed an opinion and the President asked everyone not to express a final position. Yanukovych reiterated that Regions opposes separatist sentiments within the country -- "in the West, East, and South, we're for unity" -- but Regions has never been and never will be the staffer of a foreign country or government.

Rada Still Stuck, Possible Situational Majority?

11. (C) Meanwhile, the Rada moved one step closer to breaking the stalemate and Regions's blockade late on February 26. After Speaker Yatsenyuk failed to produce results at a

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roundtable with faction leaders on February 25, the faction leaders continued their work alone the next day. (Yatsenyuk was in Brussels.) At the end of the day, they announced a draft agreement that could be signed once they choose one of three ways forward on the MAP letter: to wit, either a resolution acknowledging Yatsenyuk did not speak for the whole parliament; approving a resolution on certain aspects of making a decision concerning Ukraine joining NATO (a reference to Yatsenyuk's earlier proposal calling for a resolution that states a referendum would be required before Ukraine could request NATO membership); or holding a general discussion of all NATO-related resolutions prior to signing the rest of the political agreement to reopen the Rada. (Note. There are currently nine draft resolutions on NATO pending in the Rada. End Note.) The agreement itself lays out a list of legislative priorities, including WTO accession, budget amendments, approval of CabMin's government program, the ten urgent laws mentioned in the coalition agreement, the amendment of Rada rules regarding rights of the opposition, and the appointing and dismissing of certain officials. The draft agreement calls on all factions to work constructively and to avoid raising provocative political issues.

¶12. (C) The document still awaits approval by all the factions and could still fall victim to debates over which approach to the MAP letter to take. OU-PSD MP Tarasyuk said to the press that Regions continued to use the MAP letter as an excuse to try to form a broad coalition and that Baloha was "playing those games." This view was echoed in comments two MPs made to us on February 22.

¶13. (C) Serhiy Hrynevetskiy (Lytvyn Bloc) told us that in principle, all the personnel issues that had been causing headaches for the coalition - i.e. heads of the State Property Fund, Antimonopoly Committee, National TV and Radio Committee - have been resolved and could be addressed when the Rada reconvenes on March 4. He added that there was a slight problem over the SBU head nomination, as a conflict had developed between Baloha and Acting SBU Head Nalyvaychenko. Hrynevetskiy said that he did not believe there would be a formal coalition re-formation because it was too difficult legally. Instead, there will be a situational majority, where they (OU, Lytvyn Bloc, Regions) could sideline Tymoshenko and block her legislative initiatives as needed. To form a totally new coalition would require a majority of OU-PSD MPs (37) to defect, and although this process might be ongoing, a situational majority would give them more flexibility.

¶14. (C) Oles Doniy (from the PSD wing of OU-PSD) also told us that efforts to reformat the coalition were ongoing. He noted that two days earlier, he would have said that it would be impossible to get 37 MPs from his faction to switch, but now (note--after the OU-PSD faction met with Yatsenyuk and five deputies left PUOU), he was not so sure. Doniy underscored that PSD opposed any changes to the coalition.

¶15. (C) Both Doniy and Hrynevetskiy told us that the games in the Rada were linked to the President's calculations about how to best get a second term in office. Hrynevetskiy thought the only real chance was for Yushchenko to cut a deal on constitutional reform and have the President elected in the Rada. Doniy thought that Yushchenko, aware that he could never beat Tymoshenko in a competition for the orange electorate, would cut a deal with the moderate wing of Regions and reposition himself as the new candidate from the East. To do this, he would have to present himself as the candidate of national unity and remind the owners of large enterprises of their concerns about a Tymoshenko presidency coming with significant reprivatization. Doniy argued that Yushchenko's repositioning was already visible in the Donetsk press. For example, Yushchenko's trip to Moscow was portrayed there as him having saved Ukraine. Doniy argued that Yanukovych will eventually calculate that he would rather be PM with reduced powers, than not be PM at all, because he is not happy as leader of the opposition. Therefore, Akhmetov and Yanukovych will work this out and make a consolidated decision to support Yushchenko.

Secretariat Comments Continue to Raise Questions

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¶16. (SBU) In a February 21 interview on Inter TV, Baloha said that he had left PUOU because the OU-PSD bloc had failed to form a single party by the end of December 2007, as agreed to at the bloc's congress. He said the five MPs who have left did so for their own reasons and have no connection to him. He also said that a 227-vote coalition was ineffectual and at a minimum Lytvyn Bloc should be brought in. Baloha added

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that he had never opposed including Regions as well. Finally, he warned that the President would consider dissolving the Rada again if the situation did not improve.

¶17. (SBU) One of Baloha's deputies, Oksana Slusarenko, told

the press February 25 that BYuT was partly to blame for the stalemate in the Rada. Because they benefit from the stand-off, she argued, they are not trying to fix the situation. In particular, Slusarenko said that BYuT was glad to avoid having to vote on the new CabMin law that would weaken their powers. (Note. Even through BYuT has already stated they will support the draft law as is. End note.) Moreover, she said that in the event of the Rada being dissolved, BYuT ministers would retain their portfolios and the bloc would do very well in new Rada elections.

¶18. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
Taylor